

WORK OPPORTUNITY TAX CREDIT (WOTC)

The Work Opportunity Tax Credit (WOTC) is designed to help members of certain groups of people move from economic dependency to self-sufficiency by giving employers an incentive to hire them. This incentive is a significant credit against federal taxes owed.

The amount of tax credit an employer can earn varies depending upon the group to which the eligible employee belongs, the amount of wages paid to the employee, and the number of hours worked by the employee. **For most of the targeted groups**, the employer may claim a tax credit equal to 40% of the first \$6000 of qualified wages paid to each WOTC-eligible employee who works 400 hours or more during the first year of employment, for a maximum \$2400 credit per eligible hire. For those who work at least 120 hours but less than 400, employers may claim a tax credit equal to 25% of the first \$6000 in qualified wages paid. An employee must work at least 120 hours in order to claim any tax credit.

For the *Qualified Summer Youth Employees* group, the amount of the tax credit an employer earns is based on the first \$3000 in qualified wages paid, rather than \$6000. Thus, the maximum tax credit allowed for hiring members of this group is \$1200 per eligible hire.

Employers can earn a maximum \$9000 tax credit per eligible hire for hiring individuals certified as *Long-term Family Assistance Recipients*. For this group, the amount of the tax credit an employer earns is based on the first \$10,000 in qualified wages paid during the first year of employment, rather than \$6000. In addition, the employer may claim a tax credit equal to 50% of the first \$10,000 in qualified wages paid to such employees during the second year of employment.

Employer can earn a maximum \$4800 tax credit for hiring *disabled veterans*. For this *subgroup*, the amount of tax credit an employer earns is based on the first \$12,000 in qualified wages paid.

The job seeker and the employer must complete **IRS Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit**, on or before the day the job seeker is offered employment. The employer must then **mail the original** of this completed form to the Kentucky Office of Employment & Training (OET) **not later than the 28th day** after the employee begins work for the employer. All required forms and related documents must be mailed to the following address:

**WOTC Coordinator
Office of Employment & Training
275 East Main Street, 2W-A
Frankfort, Kentucky 40621.**

The employer must also complete and submit to OET an *Individual Characteristics Form, ETA 9061*. In some cases, the employer may be required to obtain and submit documentation to prove that the employee meets the eligibility criteria for one of the targeted groups. The ETA 9061 and documentation may be submitted at any time after the employee begins work for the employer. However, OET cannot issue an *Employer Certification* to the employer until the ETA 9061 has been received and eligibility has been verified. The *Employer Certification* is required in order for the employer to be allowed to claim the tax credit. If possible, the ETA 9061 and supporting documentation should be submitted with the IRS 8850 to expedite processing, but under no circumstances should the IRS 8850 be mailed more than 28 days after the employee's start-to-work date. The employer should not submit an IRS 8850 to OET unless he/she has some basis on which to believe that the employee meets the criteria for at least one of the WOTC-qualifying groups.

Questions regarding the WOTC program in Kentucky should be directed to WOTC program staff at **502/564-7456**.

WOTC ELIGIBLE GROUPS

A) Qualified IV-A Recipient - refers to a member of a family that received family assistance [i.e., Temporary Assistance for Needy Families (TANF)] for at least 9 months during the 18-month period prior to hire.

B) Qualified Veteran - refers to

1. a U.S. military veteran who is a member of a family that has received Food Stamps for at least 3 consecutive months during the 15 month-period prior to the hire date, or
2. a disabled veteran entitled to compensation for a service-connected disability, **and** having a hiring date which is not more than 1 year after having been discharged or released from active duty in the Armed Forces of the United States, **or** having aggregate periods of unemployment during the 1-year period ending on the hiring date which equal or exceed 6 months.

C) Qualified Ex-Felon - refers to an ex-felon who is hired within a year of having been convicted of a felony or released from incarceration.

D) Designated Community Residents - refers to any person who is at least age 18, but not yet 40, on the hire date, **and** lives within a Federal Empowerment Zone, Enterprise Community, Renewal Community, or Rural Renewal County (* see below).

E) Vocational Rehabilitation Referral - refers to a disabled person who

1. has received vocational rehabilitation services from the Office of Vocational Rehabilitation, the Office for the Blind, or the Veterans Administration within 2 years prior to the hire date, and was hired pursuant to a written individualized plan of employment, or
2. is a ticket holder under the *Ticket to Work* Program and has an individualized work plan (IWP) developed and implemented by an employment network (EN).

F) Qualified Summer Youth Employee - refers to any person who is at least 16 but not yet 18 years old, is hired to work during the summer (May 1 to September 15), and lives in a Federal Empowerment Zone, Enterprise Community, or Renewal Community (* see below). Rural Renewal County residents are **not** included in this group.

G) Qualified Food Stamp Recipient - refers to any person who has attained age 18 but not yet 40 on the hiring date, **and** is a member of a family that has received food stamps for the 6 months prior to the hire date, **or** received food stamps for at least 3 months during the 5 months prior to the hire date, in the case of an *Able-Bodied Adult Without Dependents (ABAWD)* who ceased to be eligible for such assistance due to failure to comply with work requirements of the food stamp program.

H) Supplemental Security Income Recipient - refers to any person who received Supplemental Security Income (SSI) benefits for either of the two months prior to the month when hired.

I) Long-term Family Assistance Recipient - refers to any person who:

1. is a member of a family that has received family assistance (i.e., AFDC/TANF benefits) for all of the 18 consecutive months ending on the hiring date; **or**
2. is a member of a family that has received family assistance for at least 18 months (whether or not consecutive) beginning after August 5, 1997, and has a hiring date that is not more than two years after the end of the earliest 18-month period; **or**
3. after August 5, 1997, ceased to be eligible for family assistance because of either federal or state time limits on receipt of AFDC/TANF, and was hired within two years after exhausting their eligibility for such benefits.

* Residence in a Federal Empowerment Zone (EZ), Enterprise Community (EC), Renewal Community (RC) or Rural Renewal County (RRC) is required for two of the WOTC-qualifying groups (groups D and F above). To determine if an employee's address is in such an area, use this Internet web address to link to the Interactive Locator Map:
<http://egis.hud.gov/egis/cpd/rcezec/welcome.htm>